

VZCZCXRO5949  
PP RUEHDBU  
DE RUEHTA #0333/01 0301154  
ZNY CCCCC ZZH  
P 301154Z JAN 06  
FM AMEMBASSY ALMATY  
TO RUEHC/SECSTATE WASHDC PRIORITY 3841  
INFO RUCNCIS/CIS COLLECTIVE PRIORITY  
RUEHNO/USMISSION USNATO PRIORITY 2059  
RUEHVEN/USMISSION USOSCE PRIORITY 1485

C O N F I D E N T I A L SECTION 01 OF 03 ALMATY 000333

SIPDIS

SIPDIS

DEPT FOR EUR/CACEN (J. MUDGE, M. O'MARA)

E.O. 12958: DECL: 01/30/2016

TAGS: [PGOV](#) [PREL](#) [KZ](#)

SUBJECT: KAZAKHSTAN: PRESIDENT NAZARBAYEV,S "NEW" CABINET

Classified By: DCM Mark Asquino, reasons 1.4 (B) and (D).

¶1. (SBU) Summary/Introduction: President Nazarbayev has completed naming his government, following his January 11 inauguration, and held his first cabinet meeting on January 12. While technically "new," most of the 16 ministers retained their posts or made lateral moves to other ministries. Nazarbayev has publicly emphasized the importance of continuity in his team to maintain the pace of Kazakhstan's economic growth. Recently-released opposition leader Galymzhan Zhakiyanov commented a little less charitably in a press interview on January 25 that the appointments merely amounted to "turning an old coat inside out." Below are highlights of who is new, who has moved, who has stayed, and who is out along with some restructuring trends that have emerged in the government re-shuffle. End Summary/Introduction.

The "New" Cabinet Line Up

¶2. (C) Following are cabinet appointments:

-- Prime Minister Daniyal Akhmetov (re-appointed January 18). Although frequently rumored to have been on his way out, Akhmetov appears to have been retained as a part of Nazarbayev's "continuity" theme. Some local observers believe that Akhmetov could still go if low inflation rates are not maintained. Akhmetov has been tasked with oversight of the government's day-to-day operations.

-- Deputy Prime Minister Karim Masimov (appointed January 18). Masimov, as Advisor to the President, was an influential member of Nazarbayev's circle with a high degree of access to the President. As Deputy PM, his portfolio will primarily focus on responsibility for strategic development. (Note: Masimov was a co-author of a national program intended to vault Kazakhstan into joining the "50 most competitive countries. End note.) The other two deputy PM slots have been abolished. While the Prime Ministry and Presidential Administration offices are both located in the presidential palace, the impact on Masimov's degree of access to Nazarbayev remains unclear. No one, however, has yet been named to fill the Advisor position formally vacated by Masimov.

-- Minister of Foreign Affairs Kasymzhomart Tokayev (re-appointed January 18). Despite talk for nearly two years of Tokayev's interest in moving on from MFA and the arrival of Nazarbayev's son-in-law Rakhat Aliyev in August as First Deputy Foreign Minister, Tokayev remains in place as the country's senior diplomat. Fluent in English and Chinese, a former Soviet diplomat deeply familiar with CIS politics, and a China hand, Tokayev's value lies in his broad expertise,

versatility, and low-key manner.

-- Minister of Defense Mukhtar Altynbayev (re-appointed January 18). A strong advocate of defense reform, Altynbayev has worked under five prime ministers and has been Defense Minister since 1996 (except for 1999-2001 when he was demoted to command of the country's air forces after a scandal over an illegal aircraft sale to North Korea). More recently he was seen as having gone publicly off message from Nazarbayev when he called for the return of Kazakhstan's ordnance disposal contingent from Iraq. Despite these missteps, local observers attribute Altynbayev's longevity in office to his close ties to Senate Chairman Nurtay Abykayev and the support of a number of other senior officials who hail from his hometown of Karaganda. (Note: Parliament changed the mandatory age of retirement so that Altynbayev, who is 60, could continue on in office. End note.)

-- Minister of Industry and Trade (I&T) Vladimir Shkolnik (appointed January 19). Shkolnik moves over from his position as Minister of Energy and Mineral Resources (MEMR) where he had overseen both oil/gas and non-proliferation issues since 1999. Despite Nazarbayev's rather harsh words at the January 24 cabinet meeting regarding the non-transparency of recent energy tenders, Shkolnik's transfer is not viewed by economic observers as a demotion, but rather as a sign of the President's confidence that Shkolnik brings the right background for managing the I&T portfolio. Nazarbayev had reportedly offered the position to Deputy Minister Zhanar Aitzhanova, the Government's point person on WTO accession. However, Aitzhanova reportedly declined in the interest of maintaining focus on WTO accession priorities. Former Deputy Minister and Minister of Industry and Trade Sauat Mynbayev has not been named to a new post, but there is speculation that Nazarbayev may be holding

ALMATY 00000333 002 OF 003

him in reserve to head up a new mega-holding company to which all other state-owned companies will reportedly be transferred. Shkolnik may be able to help unstick the strain transfer issue in his new position, as I&T had been blocking the necessary export licenses.

-- Minister of Energy and Mineral Resources Bakhtykozha Izmukhambetov (appointed January 19). A Deputy Minister at MEMR under Shkolnik, Izmukhambetov is seen as experienced oil manager who will primarily devote his attention to the development of the oil/gas economic cluster initiative, in particular the creation of new petrochemical complexes. The new MEMR Minister is reportedly close to the "Western Kazakhstan oil clan," including former PM Balgimbayev, who was listed as one of two unindicted co-conspirators in the James Giffen corruption case. Another of our oil contacts described him as "dependent on Timur Kulibayev for every decision." Non-proliferation contacts have told us that responsibility for implementation of CTR programs will remain with MEMR under Izmukhambetov, despite the fact that in the past the programs have moved with Shkolnik from ministry to ministry.

-- Minister of Interior Baurzhan Mukhamedzhanov (re-appointed January 18). Formerly a Deputy in the Presidential Administration, Mukhamedzhanov is widely seen as a no-nonsense official who could project a sense of resolution and determination in advance of the presidential elections and would maintain order on the streets.

-- Minister of Economy and Budget (E&B) Kayrat Kelimbetov (re-appointed January 18). This is Kelimbetov's third appointment to head up E&B. Budget reform will be a primary area of responsibility for E&B, inasmuch as it is linked to restructuring the National Fund. Kelimbetov is viewed as a fairly secure player because of his father-in-law, Tokmukhamed Sadykov, the Rector of Almaty State University and a Nazarbayev confidante.

-- Minister of Culture, Information, and Sports Yermukhamet Yertysbayev (appointed January 19). Formerly a Deputy in the Presidential Administration, Yertysbayev has worked closely with Nazarbayev since 1995 and has served as a domestic political advisor for the past four years.

-- Minister of Justice Zagipa Baliyeva (re-appointed January 18). Baliyeva appears to be more comfortable with the Justice portfolio than the Central Election Commission Chair, which she held during the flawed parliamentary elections in September 2004. In her tenure at Justice since first being appointed in April 2005, Baliyeva has showcased penal reform as a Kazakhstani human rights success story. Her interest in pushing other issues in the Justice portfolio, such as trafficking, is less well-defined.

-- Minister of Transportation and Communication Askar Mamin (re-appointed January 18). Nazarbayev publicly praised Mamin for re-invigorating the work of his ministry. Mamin presented on January 25 a draft program to Parliament that will transform transportation infrastructure over the next nine years. He is generally seen as a positive force in negotiations to work out arrangements for international flights into both Almaty and Astana. Mamin is reportedly close to Presidential Administration Head Dzhaksybekov.

-- Minister of Finance Natalya Korzhova (appointed January 18). Local observers describe Korzhova as a good selection for bringing experience from Labor and Social Protection (she served as Minister from 1996-1999) at a time when social welfare is expected to make up nearly 40% of the 2006 budget. Korzhova, an ethnic Russian, will be only the second non-Kazakh in the President's cabinet; Minister Shkolnik is Jewish.

-- Minister of Labor and Social Protection Gulzhan Karagusova (re-appointed January 18). With a high percentage of the 2006 budget devoted to issues falling under her ministry's areas of responsibility, Karagusova is seen as a reliable implementer of Nazarbayev's increasing emphasis on protection of vulnerable populations and support for economic development policy.

-- Minister of Environmental Protection Kamaltin Mukhamedzhanov (appointed January 19). Transferred up to Astana from Karaganda where he was regional governor in one of the most industrialized regions of the country, Mukhamedzhanov has been touted as an able administrator with experience on environmental issues posed by industrial development. Nazarbayev has credited him with being an

ALMATY 00000333 003 OF 003

official capable not merely of seeking to punish companies but also finding creative solutions to reducing pollution.

-- Minister of Health Yerbolat Dosayev (re-appointed January 18). The youngest minister in the cabinet (born 1970), Dosayev has been a helpful partner on the BWPP/TADR program. His reappointment will provide welcome continuity.

-- Minister of Education and Science Berganym Aitimova (re-appointed January 18). Aitimova, a former Kazakhstani ambassador to Israel and Italy, is a relatively young and very energetic interlocutor. Nazarbayev's decision to keep her in place as the ministry's budget grows by 45% in 2006 is a sign of his confidence in her abilities.

-- Minister of Agriculture Akhmetzhan Yesimov (appointed January 19). Yesimov previously served as Minister of Agriculture (2001-2002) and Deputy PM-Minister of Agriculture (2002-2004), before his portfolio was cut back to Deputy PM in May 2004.

-- Minister of Emergency Situations Shalbai Kulmukhanov (re-appointed January 18). Kulmukhanov has been a relatively low-profile player in the cabinet, but has indicated interest

in expanding ties and engagement with the United States. His ministry, however, is somewhat hobbled by competing against other ministries such as Defense and Interior for resources and personnel.

#### Heads of Government Agencies

-----

¶3. (SBU) There were few changes among heads of government agencies that report directly to the President. Head of Presidential Administration Dzhaksybekov retains his post, as do KNB Chairman Nartay Dutbayev, Civil Service Agency Chairman Zautbek Turisbekov, and Financial Police Head Sarybay Kalmurzayev. (Note: Procurator General Rashid Tusupbekov and Supreme Court Chief Justice Kairat Mamy are appointed by Parliament and were not required to resign as was the cabinet. End note.)

¶4. (C) Two new appointments were Arman Dunayev, former Finance Minister, as Chairman of the Financial Supervision Agency (FSA), and Nurlan Yermekbayev who adds domestic political advisor (vice Yertsybayev) to his duties as Presidential Administration's Foreign Policy Center Chief. With Dunayev's appointment at FSA, economic observers expect that FSA and the National Bank will more closely follow PM Akhmetov's lead on monetary policy.

#### Regional Governors (Akims)

-----

¶5. (SBU) Fourteen of the sixteen regional governors (akims) have been retained. Presidential Administration Deputy Nurlan Nigmatullin was named as governor of the Karaganda region. Nigmatullin has served in several senior posts since 1995, including Deputy Minister of Transportation and Communication (2002-2004) and Deputy Akim of Astana (1999-2002). Krymbek Kusherbayev, former ambassador to Russia was appointed as governor of the Mangistau region. Kusherbayev served as Governor of Western Kazakhstan region (2000-2003) and Minister of Education (1997-2000).

#### Re-Structuring Trends

-----

¶6. (SBU) In accordance with Nazarbayev's recommendation to streamline the top layers of ministries, there will be only one Deputy Prime Minister and each ministry is to have no more than two deputy ministers. The President has also asked that one of those deputies have "Western experience." The MFA has created a Department of Asian Cooperation to coordinate multilateral affairs with regard to Asia; the new office parallels the existing Department of European Cooperation, which coordinates policy regarding NATO, OSCE, the EU, etc. The MFA is also expected to name an Ambassador-at-Large to coordinate with other ministries that set economic policy.

¶7. (SBU) PM Akhmetov has also determined that the 90 inter-Ministerial Commissions supervised by the cabinet will be reduced by at least half. Akhmetov's ultimate goal is to whittle down the commissions to ten, which will then each be chaired by a Minister.

ORDWAY